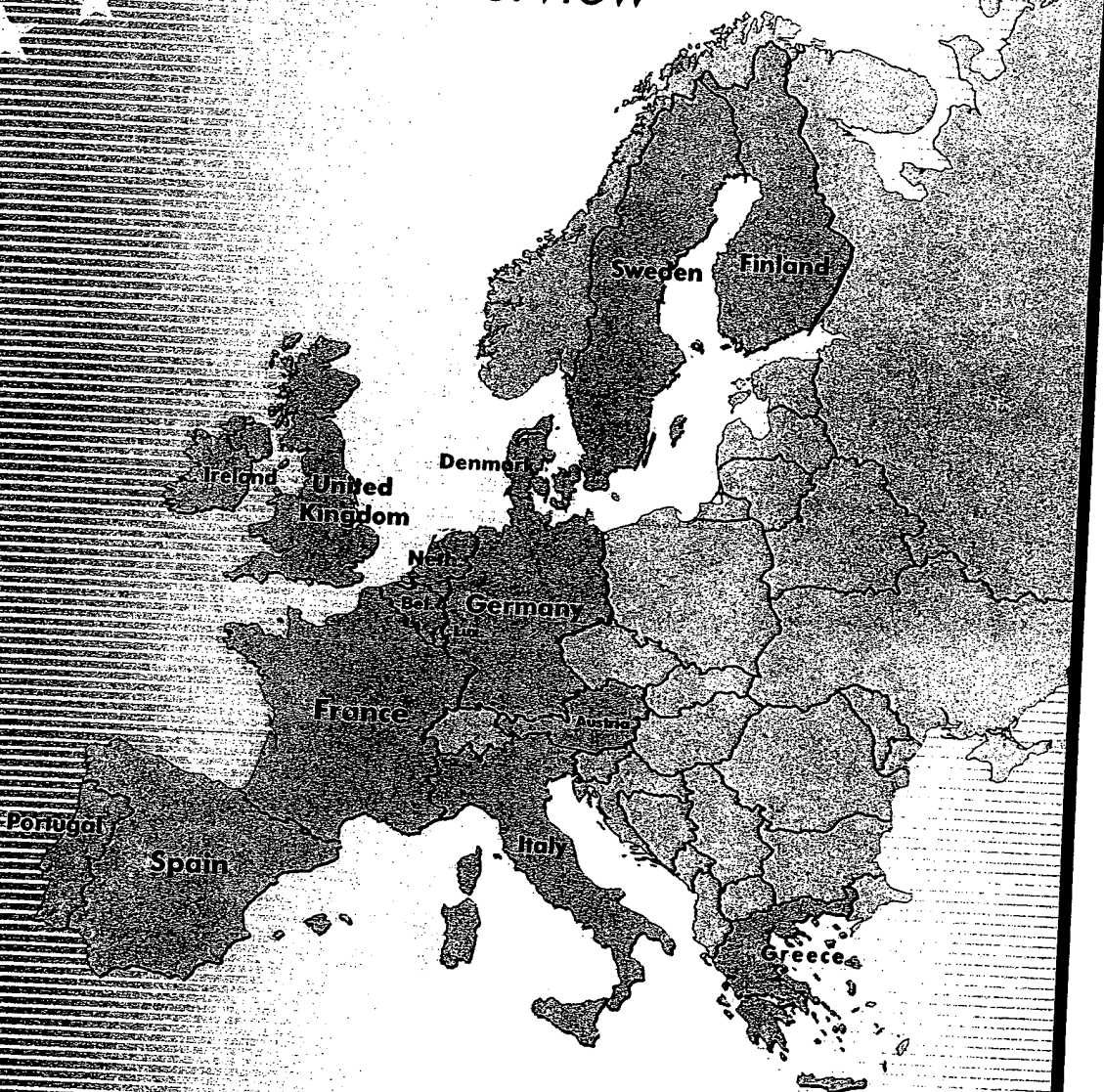


C1

The European Union: An Overview



The European Union: An Overview

	Page
Principal Institutions	1
The US-EU Relationship	4
A Short History	4
Enlargement Plans	6

Appendix

- EU Milestones 2001-2002
- European Union: Economic and Monetary Union Membership
- European Union Members and Aspirants (map)
- Comparative Statistics for the EU and Candidate Countries
- European Commission 2000-2005
- Top 10 Things to Know About the European Union
- Top 10 Things to Know About EU Trade

The European Union: An Overview

Principal Institutions

The 15-nation EU is a unique mix of state-to-state cooperation found in traditional international organizations and supranational authority, particularly in the economic and trade spheres. As a result, the EU neither looks nor behaves like a national government—a source of frustration for foreign governments dealing with it.

US officials deal most often with EU Commission officials—particularly Trade Commissioner Pascal Lamy and External Relations Commissioner Chris Patten.

reports to
poli
implements

The European Commission: The EU's executive branch...headed by 20 commissioners, appointed by the member states...implements decisions taken by the European Council and the Council of the European Union...also initiates legislation—including EU regulations binding on member states—for Council and Parliamentary review...takes the lead on internal market and external trade issues as well as other supranational functions...contains the bulk of the EU civil service...represented abroad by delegations that serve as quasi EU embassies.

The Commission reports to the "Council" of ministers. High Representative for Common Foreign and Security Policy Javier Solana – a frequent US interlocutor – works for the Council.

Headed by President Prodi

- **The Council of the European Union:** Composed of member state ministers on specific subject areas (e.g., economics and finance, agriculture, transport, the environment)...monthly meetings for the most important version: the General Affairs Council of EU foreign ministers...provides specific guidance to the Commission to negotiate on its behalf with foreign partners, especially in the trade arena...increasingly makes decisions by qualified majority vote...countries retain a national veto where core interests are at stake, such as taxes.

Board of Directors

EU leaders are like a board of directors.

- **The European Council:** Composed of the heads of state and government of the 15 member states and the European Commission President...typically meets semiannually...provides overall policy guidance to the EU...makes decisions on contentious issues involving questions of national sovereignty, such as the creation of a defense capability and an EU police agency...negotiates changes to the treaties that define EU institutions and decisionmaking.

The Rotating EU Presidency

Each member state takes the reigns for six months and its leader is known as the “EU President.” Sweden currently holds the EU presidency and will be followed by Belgium in July. Representatives of the presidency country chair meetings of member states at all levels. When traveling abroad, the EU President often is joined by the European Commission President and the High Representative for Common Foreign and Security Policy—or their stand-ins—in a formation known as a “troika.”

The European Parliament is a secondary player in most decisionmaking but its authority and credibility are gradually increasing.

- **The European Parliament:** Directly-elected, 626 seats...reviews legislation and the budget with the Council...oversees Commission activities, can force it to resign...dual headquarters in Brussels and Strasbourg, France.

EU institutions and decisionmaking are under near-continual reform in treaty revision sessions known as Inter-Governmental Conferences (IGC). The IGC that concluded in December 2000 in Nice, France, provided sufficient reform to allow for enlargement. Another IGC is scheduled for 2004.

Council of Europe

The European Union and its councils should not be confused with the Council of Europe, which has the same flag but is otherwise a totally distinct organization. The Council's 43 member states – almost all European countries, including Russia—strive to protect human rights, democracy, and the rule of law. The Council was founded in 1949 and its headquarters is in Strasbourg, France.

The US-EU Relationship

*common values
common perspectives*

*we shared the what
leads us focus on that*

*see: taliz relationship
strategic partnership*

The US has supported European integration since the end of World War II because it has assessed that a strong Europe serves US national interests. Today, the US and EU enjoy the largest economic relationship in the world, with \$2 trillion in annual trade and investment. In 1995 the US and EU created a "New Transatlantic Agenda" to guide relations in the post-Cold War world. The NTA provides for continuous consultation across a broad range of economic and foreign policy areas, including semiannual meetings between the US and EU Presidents.

The NTA includes a series of transatlantic dialogues to facilitate people-to-people contacts. The Transatlantic Business Dialogue brings together businesses and governments to look beyond current trade disputes and encourage commercial growth. The Transatlantic Consumer Dialogue is a forum for consumer groups and government officials. Other dialogues address labor issues, information technology, and foreign aid.

The Transatlantic Economic Partnership, begun in 1998, has worked for agreement on standards and regulatory barriers, biotechnology, and food safety.

*Spain
Poland
Bulgaria*

A Short History

The present-day 15-member European Union traces its roots to 1957, when France, Germany, Italy, Belgium, Luxembourg, and The Netherlands signed the Treaty of Rome that created the European Economic Community. The EEC eliminated barriers to trade in goods and services in the six-country region, adopted a common external tariff.

- The six countries launched the EEC after first forming the European Coal and Steel Community in 1951 – in part to link their economies closely together and make another war unthinkable. By the end of the Cold War, the EEC had grown to 12 member countries.

In 1992 the member states signed the Treaty of Maastricht and adopted the name “European Union” to reflect their desire to go well beyond a common market: Maastricht set goals for a common currency (the euro, which debuted as an interbank currency in 1999 and will begin circulating next year), a common foreign and security policy, and cooperation in law enforcement and immigration.

- In 1995 Austria, Finland, and Sweden joined the EU. The EU subsequently started negotiations to take in the former Warsaw Pact countries in central and eastern Europe.
- With British support, the EU in 1998 began to create a defense capability autonomous of NATO that eventually will be available for peacemaking, peacekeeping, and humanitarian operations.

European Integration Timeline

- 1951: European Coal and Steel Community
- 1957: Treaty of Rome creates six-country European Economic Community
- 1968: Customs union and common external tariff completed
- 1973: UK, Ireland, Denmark join
- 1980s: Greece, Portugal, Spain join after casting off authoritarian regimes
- 1987: Single European Act eliminates non-tariff trade barriers in the internal market
- 1992: Maastricht Treaty creates the European Union
- 1995: Austria, Finland, Sweden join
- Mid-1990s: Former Warsaw Pact countries, Cyprus, Turkey, Malta apply for EU membership
- 1999: The euro becomes common interbank currency for 11 of the 15 EU members
- 2000: Treaty of Nice, providing institutional reforms necessary for enlargement.
- 2002: Euro bills and coins circulate in 12 EU countries.
- 2000-10: Enlargement to as many as 27 countries, further institutional reform, development of an autonomous defense capability.

Enlargement Plans

In 1998 the EU opened accession negotiations with Poland, Czech Republic, Hungary, Slovenia, Estonia, and Cyprus. A year later Brussels agreed to talks with six additional candidate-countries: Bulgaria, Lithuania, Latvia, Malta, Romania, and Slovakia. The EU has offered Turkey "candidacy status," but will not begin formal accession negotiations until Ankara meets criteria on democracy and human rights.

- Candidate countries must adopt the 80,000-page body of EU law and regulation to qualify for membership.
- Brussels is supplying financial and technical assistance to help get accession countries up to EU standards.
- When all 12 countries currently engaged in accession talks enter the EU—most likely by the end of the decade—the EU will be world's largest economy and trading bloc.

The EU probably will admit some new members in 2004, but the timetable for admission keeps slipping and there is growing frustration among the candidate countries. Some European leaders, such as European Commission President Prodi and UK Prime Minister Blair, have been pushing for a "political" decision on accession timing to encourage candidates to stay the course.

- There is little public enthusiasm in the EU for enlargement because of the steep costs involved—agricultural subsidies alone would break the bank if extended in their current form to all the new members—and fear of cheap labor from the east.

Appendix

EU Milestones 2001 to 2002



2001

2002

J F M A M J J A S O N D J F M A M J J A S O N D

EU Presidency

● Sweden



● Belgium



● Spain



● Denmark



Elections

● UK general election

● Italian general election

● French presidential election

● French legislative election

● Dutch general election

● German legislative election

Integration and Security

● EU continues accession talks with 12 countries.

● Greece joins euro zone.

● Euros circulate

● Monetary Union: national currencies cease to exist.

International

● G8 Summit Genoa, Italy

● Five new nonpermanent members of UN Security Council begin two-year term: Ireland, Norway, Colombia, Mauritius, and Singapore.

● Summit of the Americas in Quebec City

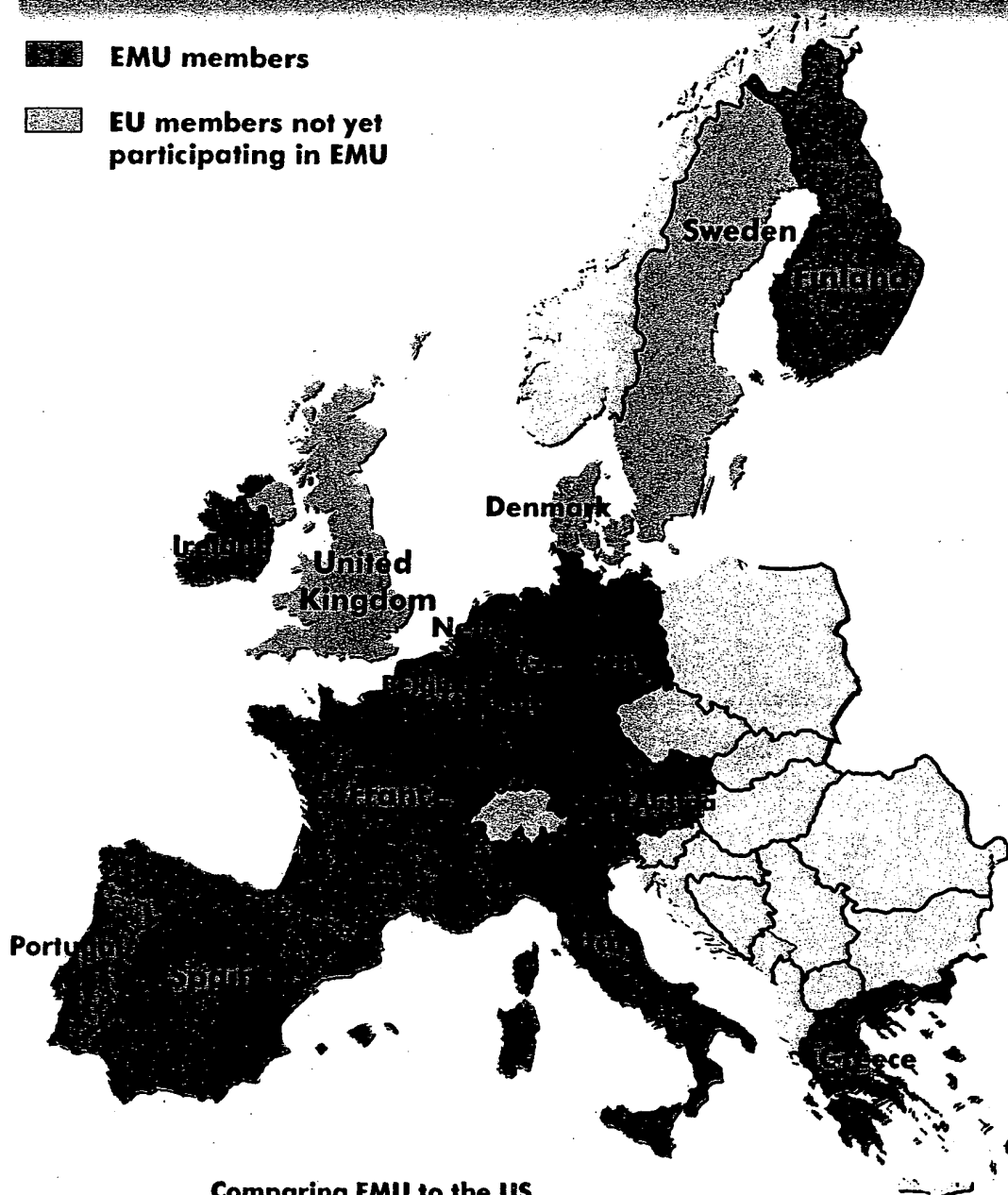
● WTO Ministerial possible launch of new trade round

● G8 Summit Canada

2001

2002

-  **EMU members**
-  **EU members not yet participating in EMU**






Comparing EMU to the US

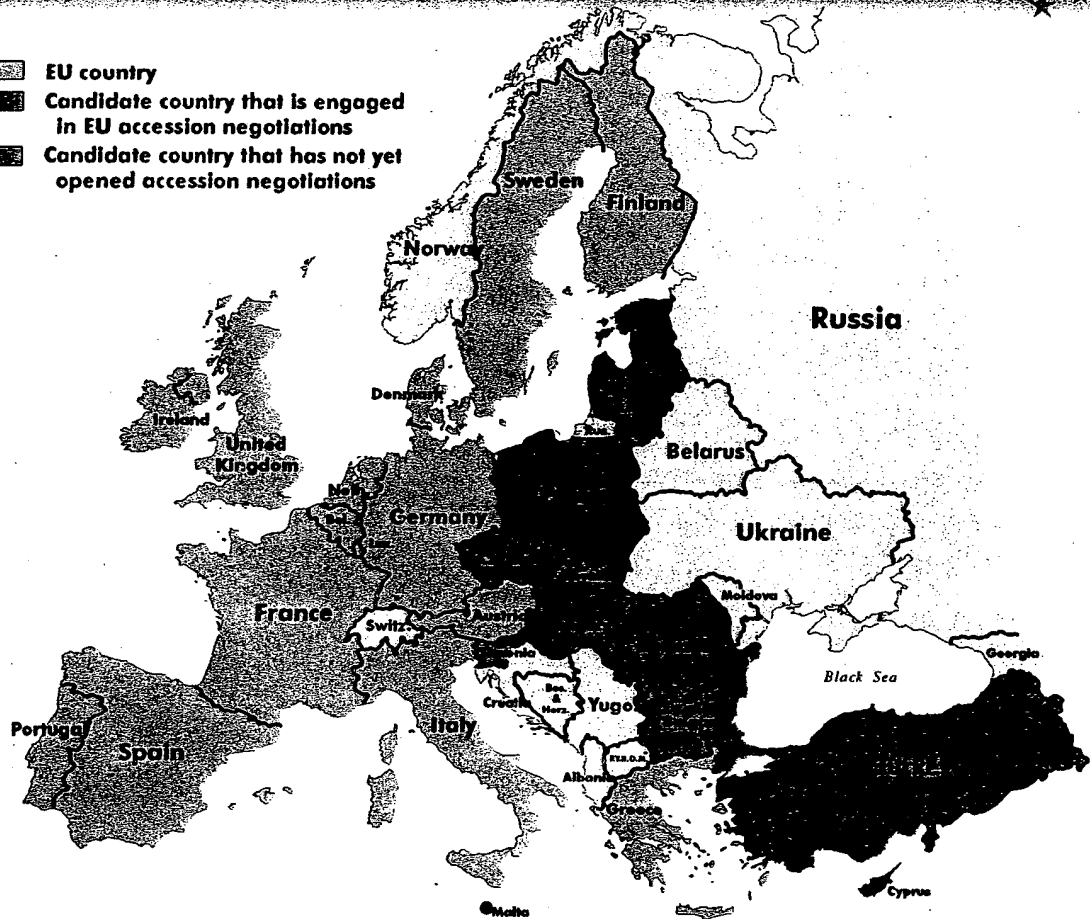
	US	EMU-12	EU-15
GDP^a (trillion US \$)	92	6.4	8.5
General government gross debt^b (as a percentage of GDP)	39.9	73.0	68.1
Unemployment rates^b (percent)	4.2	10.0	9.2
Inflation^b (percent)	2.3	1.1	1.2

^aBased on purchasing power parity conversion rates.

^bBased on 1999 European Commission and IMF statistics.

European Union Members and Aspirants

-  EU country
-  Candidate country that is engaged in EU accession negotiations
-  Candidate country that has not yet opened accession negotiations



*The Former Yugoslav Republic of Macedonia.

Comparative Statistics for the EU and Candidate Countries

	Population (In millions)	Per Capita GDP (In US dollars)	Total GDP (billions of US dollars)	Share of Imports from EU Countries in Total Imports (percentage)	Share of Exports to EU Countries in Total Exports (percentage)	Agricultural Work Force (percentage of total)
EU-15 Total	375.8	18,998	7,445.4	60	62	6
Candidate Country Total	105.9	7,360	325.0	62	68	N/A
Poland	38.7	7,416	133.8	63	64	26
Romania	22.4	5,071	29.7	53	57	28
Czech Republic	10.3	10,884	45.3	62	60	7
Hungary	10.1	9,553	42.5	64	76	8
Bulgaria	8.3	4,481	10.7	46	53	18
Slovakia	5.4	8,650	16.1	40	45	9
Lithuania	3.7	5,497	9.0	44	48	20
Latvia	2.4	5,470	15.7	55	65	16
Slovenia	2.0	13,333	17.1	69	66	2
Estonia	1.4	6,484	4.2	65	75	11
Cyprus	0.8	13,392	7.8	54	43	9
Malta	0.4	11,969	3.1	66	49	2

Sources: European Commission, IMF, Eurostat, Economist Intelligence Unit, UN Trade Statistics, EBRD.

Unclassified

377948D 2-01

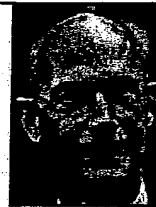
European Commission: 2000-2005



Romano Prodi
Italian
PRESIDENT



Christopher Patten
British
External Relations



Pascal Lamy
French
Trade



Franz Fischler
Austrian
Agriculture



Mario Monti
Italian
Competition



Loyola de Palacio
del Valle Lersundi
Spanish
VICE-PRESIDENT
Transportation and Energy



David Byrne
Irish
Health and
Consumer Protection



Margot Wallström
Swedish
Environment



Günter Verheugen
German
Enterprise and
Enlargement



Erkki Liikanen
Finnish
Enterprise and the
Information Society



Pedro Solbes Spanish
Economic and
Monetary Affairs



**Anna
Diamantopoulou**
Greek
Employment and
Social Affairs



António Vitorino
Portuguese
Justice and Home Affairs



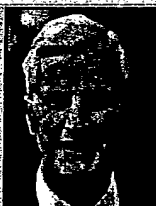
Frederik Bolkestein
Dutch
Internal Market



Poul Nielson
Danish
Development and
Humanitarian Aid



Philippe Busquin
Belgian
Research



Michel Barnier
French
Regional Policy



Neil Kinnock
British
VICE-PRESIDENT
Administration



Michaëlle Schreyer
German
Budget



Viviane Reding
Luxembourgish
Education and
Culture

Top 10 Things to Know About the European Union

1. The EU is the prime engine of European integration, promoting since 1957 peaceful relations and economic prosperity among its now 15 member countries.
2. The EU is responsible for managing a common internal market, negotiating foreign trade agreements, and fielding a common currency. The EU promotes cooperation in judicial, police, and immigration affairs.
3. Although the EU is a regional organization, it has global interests and a global reach. Trade and competition policy decisions, in particular, directly impact the US.
4. The EU has been called an economic giant but a political pigmy—a situation it hopes to change with the development of a robust common foreign policy and a military capability. The EU wants the US and the rest of the world to regard it as fully equal to the US.
5. Member states control EU policy in a body known as the European Council. The European Commission, based in Brussels, is the executive agency of the EU and can initiate legislation. The European Parliament reviews legislation and oversees the budget.
6. The EU works primarily by consensus, a time-consuming process, although more decisions are becoming subject to a majority vote. There are long-standing divisions in the EU between small and large states, northern and southern states, and those favoring different degrees of integration—splits that will be accentuated when the EU takes in a dozen new members in the coming decade.
7. Member state leaders, foreign ministers, and even lower-level officials have much more frequent meetings and dialogue with each other than they do with the US.
8. The EU is a work in progress whose institutions and decisionmaking procedures are under regular revision, without agreement on the final shape.
9. Europeans and US officials often find the EU difficult to understand and work with because it is a unique international institution, combining characteristics of a nation-state with those of a supranational organization. Critics call it opaque, inefficient, and unaccountable.
10. Member states, represented by Javier Solana, drive foreign and security policy while External Relations Commissioner Patten implements policy, overseeing a \$4.5 billion budget. The EU values cooperation, even with foes, over confrontation and sees patient diplomacy as more effective than coercion.

Top 10 Things to Know About EU Trade

1. The US and EU enjoy the largest economic relationship in the world
2. Bilateral trade disputes have proliferated in recent years. The US and EU set up a "Transatlantic Economic Partnership" (TEP) to emphasize cooperation and manage disputes.
3. EU Trade Commissioner Pascal Lamy is the key trade official for the EU, which negotiates as one on the world stage, but he must submit all proposals to the member states, which retain ultimate control over the direction of trade policy.
4. The European Union accounts for 39 percent of world exports and 37 percent of world imports, including intra-EU trade, compared to 12 percent of world exports and 18 percent of world imports for the US.
5. EU trade policy supports the use of free trade and customs agreements to gain markets for European firms; around one-third of total world exports in 1999 were covered by such EU accords compared to 11 percent for US FTAs.
6. The EU strongly favors a comprehensive WTO round that would include investment, competition, environment and other topics.
7. The EU supports its politically-sensitive agriculture sector through subsidies and other means.
8. European food scares, notably mad cow disease, have damaged public trust in government and science, pushed EU governments to ban products based on public concerns rather than scientific evidence, and prompted plans for a European Food Authority.
9. US and EU CEO's work together in the Transatlantic Business Dialogue to encourage transatlantic commercial growth.
10. EU applicant countries' potentially high agricultural subsidy claims will put pressure on the EU to radically reform its Common Agricultural Policy, which takes up 50 percent of the EU budget and is infamous for providing incentives to overproduce.